

Decision **PROPOSED DECISION OF ALJ WILSON** (Mailed 4/8/2013)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of San Diego Gas & Electric Company (U902E) for Adoption of its 2013 Energy Resource Recovery Account Revenue Requirement and Competition Transition Charge Revenue Requirement Forecasts.

Application 12-10-002
(Filed October 1, 2012)

DECISION ADOPTING SAN DIEGO GAS & ELECTRIC COMPANY'S 2013 ELECTRIC PROCUREMENT COST REVENUE REQUIREMENT FORECAST

1. Summary

Today's decision adopts a 2013 Energy Resource Recovery Account (ERRA) revenue requirement forecast of \$1,015.531 million for San Diego Gas & Electric Company, which is approximately \$194.061 million higher than the 2012 ERRA forecast; a 2013 Ongoing Competition Transition Charge (CTC) revenue requirement forecast of \$42.028 million, which is approximately \$7.162 million lower than the 2012 CTC forecast; and 2013 market benchmark price of \$50.16/Megawatt-hour for calculating the CTC and the Power Charge Indifference Adjustment. The combined revenue requirement results in an increase in electric rates of \$186.898 million.

2. Background

2.1. Historical

In Decision (D.) 02-10-062, the Commission established the Energy Resource Recovery Account (ERRA) balancing account – the power procurement

balancing account required by Pub. Util. Code § 454.5(d)(3). Pursuant to D.02-10-062 and D.02-12-074, the purpose of the ERRA is to provide recovery of energy procurement costs, including expenses associated with fuel and purchased power, utility retained generation, California Independent System Operator related costs, and costs associated with the residual net short procurement requirements to serve San Diego Gas & Electric Company's (SDG&E's) bundled electric service customers.¹

The ERRA regulatory process includes: (1) an annual forecast proceeding to adopt a forecast of the utility's electric procurement cost revenue requirement and electricity sales for the upcoming year, and (2) an annual compliance proceeding to review the utility's compliance in the preceding year regarding energy resource contract administration, least cost dispatch, fuel procurement, and the ERRA balancing account.

As set forth in D.02-10-062, the balance of the ERRA is not to exceed 5% of the electric utility's actual recorded generation revenues for the prior calendar year, excluding revenues collected for the California Department of Water Resources (DWR).² D.02-10-062 also established a trigger calculation designed to avoid the 5% threshold point that requires SDG&E to file an expedited application for approval to adjust its rates 60 days from when the ERRA balance reaches an under-collection or over-collection of 4% and is projected to exceed the 5% trigger.

¹ We also established an update process for fuel and purchased power forecasts and the ERRA mechanism.

² See D.02-10-062 at 62.

The purpose of the Transition Cost Balancing Account (TCBA) is to accrue all ongoing Competitive Transition Charge (CTC) revenues and recover all ongoing CTC-eligible generation-related costs. Pursuant to D.02-12-074 and D.02-11-022, payments to Qualifying Facilities (QF) that are above the market benchmark proxy are charged to the TCBA. Eligible ongoing CTC expenses reflect the difference between the market proxy and the costs associated with the Portland General Electric and QF contracts.

In D.06-07-030 (as modified by D.07-01-030), we adopted the total portfolio methodology and market benchmark for determining the above-market costs associated with the utility/DWR total portfolio for deferring departing load charges, and we replaced the DWR Power Charge Component with the Power Charge Indifference Adjustment (PCIA). The PCIA applies to departing load customers that are responsible for a share of the DWR power contracts or new generation resource commitments. The PCIA is intended to ensure that the departing load customers pay their share of the above-market portion of the DWR contract or new generation resource costs, and that bundled customers remain indifferent to customer departures.

The purpose of the total portfolio methodology is to reasonably ensure that bundled customers are indifferent with respect to departing load. Rather than focus on each individual resource cost, the total portfolio method recognizes that bundled customers are served from the entire portfolio of commodity resources and that when load departs the utility may, in general, offset a portion of the costs of departing load through additional market sales.

2.2. Procedural

On October 1, 2012, SDG&E filed Application (A.) 12-10-002, its *Application of San Diego Gas & Electric Company (U-902-E) for Adoption of its 2013 Energy*

Resource Recovery Account Revenue Requirement and Competition Transition Charge Revenue Requirement Forecasts (Application) and served associated testimony, in which SDG&E requests that the Commission adopt a forecasted 2013 energy procurement revenue requirement of approximately \$1.156 billion.

On October 11, 2012, Resolution ALJ-176-3302 preliminarily determined that this proceeding was ratesetting and that hearings would be necessary. On October 31, 2012, a protest was filed by the Division of Ratepayer Advocates (DRA). On November 13, 2012, Alliance for Retail Energy Markets (AReM) and Direct Access Customer Coalition (DACC) jointly filed a motion, which was granted, for leave to late file their protest (which was submitted on November 6, 2012). In their late filed protest, AReM and DACC requested party status.

On November 26, 2012 a prehearing conference (PHC) took place in San Francisco to establish the service list for the proceeding, discuss the scope of the proceeding, and develop a procedural timetable for the management of the proceeding. On December 12, 2012, Commissioner Michel P. Florio, the assigned Commissioner, issued his Assigned Commissioner's Scoping Memo and Ruling (Scoping Memo).

On January 8, 2013, SDG&E filed the amendment to its application and served associated testimony, which presented amended ERRa and CTC revenue requirements based on an estimated benchmark price. Interested parties did not serve direct testimony and SDG&E did not serve rebuttal testimony.

On February 15, 2013, the assigned Administrative Law Judge (ALJ) asked the parties to inform her as to whether evidentiary hearings set for February 21, 2013 should be removed from the calendar, since no interested party testimony was served. All parties concurred that hearings should be removed from the

calendar. On February 19, 2013, the assigned ALJ ruled (via electronic mail) that the evidentiary hearings be removed from the calendar.

On February 19, 2013, the assigned ALJ asked the parties to inform her as to whether concurrent briefs, which were scheduled to be filed on March 7, 2013, should be removed from the calendar. All parties concurred that briefing should be removed from the calendar. On February 21, 2013, the assigned ALJ ruled (via electronic mail) that the filing of briefs be removed from the calendar.

On March 15, 2013, SDG&E filed a motion (with testimony attached) in which they requested the reopening of the record in A.12-10-002 in order to consider its trigger of the five percent threshold. The assigned ALJ denied this motion on March 18, 2013, via an e-mail ruling, as this issue is outside the scope of this proceeding.

We affirm all assigned Commissioner and ALJ rulings herein.

3. SDG&E's ERRa, CTC, and Market Benchmark Forecasts

In its amended Application, SDG&E requests a 2013 ERRa revenue requirement of \$1,015.531 million, which is \$194.061 million higher than its 2012 ERRa forecast; a 2013 CTC revenue requirement forecast of \$42.028 million, which is \$7.162 million lower than its 2012 CTC forecast; and 2013 market benchmark price of \$50.16/megawatt-hour (MWh) for calculating the CTC and the PCIA. Based on the proposed combined increase in rates of \$186.898 million,³ SDG&E states that a typical monthly bill for a residential inland customer who uses 1,000 kilowatt-hours (kWh) per month will increase from approximately

³ SDG&E's proposed ERRa increase of \$194.061 million minus the proposed CTC decrease of \$7.162 million results in a net increase in rates of \$186.899 million.

\$228.14 to \$246.58, or 8.1%, and from approximately \$237.67 to \$258.17, or 8.6%, for a residential coastal customer. SDG&E's small commercial customers will see an increase of approximately \$19.71 on their monthly summer electric bill or 6.4%.⁴

No party criticized or provided alternatives to SDG&E's proposed forecast ERRR and CTC revenue requirements and market benchmarks. Additionally, no party claimed that SDG&E's proposed forecast ERRR and CTC revenue requirements or market benchmarks were not in compliance with existing applicable Commission decisions, rules, and regulations. In its protest, DRA stated that it planned to investigate the reasonableness of SDG&E's 2013 ERRR forecast, including but not limited to SDG&E's: 1) analysis of the underlying natural gas prices and other cost inputs to the model used in determining the forecasted revenue requirement; and 2) estimates of revenues and costs due to the implementation of the greenhouse gas cap-and-trade program. In its protest, AReM/DACC's primary interest was in: 1) the calculation and rate treatment of costs that are charged to Direct Access customers; and 2) SDG&E's compliance with applicable decisions. As neither DRA nor AReM/DACC served testimony on these issues, and all parties agreed that neither hearings nor briefing was necessary, we conclude that the issues presented by the interested parties in their protests have been resolved. We adopt SDG&E's requested forecast 2013 ERRR and CTC revenue requirements and market benchmarks.

⁴ Based on 1,500 kWh for secondary service.

4. Other Procedural Matters

4.1. Change in Determination of Need for Hearings

In Resolution ALJ 176-3302, dated October 14, 2012, the Commission preliminarily categorized this A.12-10-002 as ratesetting, and preliminarily determined that hearings were necessary. In the Scoping Memo, the assigned Commissioner scheduled evidentiary hearings, though eventually it was determined that hearings were not necessary. Given that no hearings were held in the current proceeding, we change our preliminary and Scoping Memo determination regarding hearings, to no hearings necessary.

4.2. Admittance of Testimony and Exhibits into Record

Since evidentiary hearings were not held in A.12-10-002, there was no opportunity to enter prepared testimony and exhibits into the record. In order to fairly assess the record, it is necessary to include all testimony and exhibits served by SDG&E. In its motion of March 7, 2013, SDG&E requested, pursuant to Rule 13.8 of the Commission's Rules of Practice and Procedure⁵ that the Commission receive the public and confidential versions of its Exhibits SDG&E-1 and -2 into the record of A.12-10-002. In addition to the supporting testimony, these exhibits include SDG&E's Application and amended Application. As applications are already filed, we do not receive them into the record as exhibits. Therefore, we identify the public and confidential versions of SDG&E's supporting testimony to its Application as Exhibits SDG&E-1,-2, -3, and -4,⁶ and

⁵ For the remainder of this decision all reference to Rules refer to the Commission's Rules of Practice and Procedure.

⁶ Exhibit SDG&E-1 – Direct Testimony of Andrew Scales; Exhibit SDG&E-2 – Direct Testimony of Amanda D. Jenison; Exhibit SDG&E-3 – Direct Testimony of Ryan A. Miller; and Exhibit SDG&E-4 – Direct Testimony of Yvonne M. Le Mieux.

the supporting testimony to its amended Application as Exhibits SDG&E-5, -6, -7, and -8.⁷ Given the necessity of SDG&E's testimony to our assessment of the proposals put forth, we admit into evidence the public and confidential versions of SDG&E's Exhibits SDG&E-1 through -8.

4.3. Motion for Confidential Treatment

Pursuant to D.06-06-066 General Order (GO) 66-C, and Public Utilities Code § 454.5(g), SDG&E requests leave to seal portions of the evidentiary record and to treat as confidential, its Exhibits SDG&E-1C, -2C, -3C, -5C, -6C, and -7C. SDG&E states that these exhibits contain information that is market sensitive, are listed in D.06-06-066 as data that should be treated confidentially, and constitutes electric procurement-related information within the scope of Pub. Util. Code § 454.5(g).

Rule 11.5 addresses sealing all or part of an evidentiary record; and D.06-06-066 addresses our practices regarding confidential information, such as electric procurement data (that may be market sensitive) submitted to the Commission.

A similar request was granted in SDG&E's last ERRRA recovery decision, D.12-07-006. We agree that the information contained in these exhibits is market sensitive electric procurement-related information. Therefore, pursuant to Pursuant to D.06-06-066 and GO 66-C, Public Utilities Code § 454.5(g), and Rule 11.5, we grant SDG&E's request to treat as confidential and seal those portions of the evidentiary record consisting of SDG&E's Exhibits SDG&E-1C, -2C, -3C, -5C,

⁷ Exhibit SDG&E-5 – Amended Direct Testimony of Andrew Scales; Exhibit SDG&E-6 – Amended Direct Testimony of Amanda D. Jenison; Exhibit SDG&E-7 – Amended Direct Testimony of Ryan A. Miller; and Exhibit SDG&E-8 – Amended Direct Testimony of Yvonne M. Le Mieux.

-6C, and -7C, as detailed in the ordering paragraphs of this decision. The confidential version of each of these exhibits will be denoted by a “C” after the number of the exhibit.

4.4. Compliance with the Authority Granted Herein

In order to implement the authority granted herein, we require SDG&E to file a Tier 1 Advice Letter within 30 days of the date of this decision. The tariff sheets filed in these Advice Letters shall be effective on or after the date filed.

5. Comments on Proposed Decision

As provided by Rule 14.3 of our Rules of Practice and Procedure and Pub. Util. Code § 311(g) (1), the proposed decision of the ALJ in this matter was mailed to the parties on April 8, 2013. Opening Comments were filed on____, by ____.

6. Assignment of Proceeding

Michel P. Florio is the assigned Commissioner and Seaneen M. Wilson is the assigned ALJ in this proceeding.

Findings of Fact

1. SDG&E filed its Application and served associated testimony on October 1, 2012.
2. SDG&E filed the amendment to its Application and served associated testimony on January 8, 2013.
3. SDG&E’s amended 2013 ERRA revenue requirement is \$1,015.531 million.
4. SDG&E’s amended 2013 CTC revenue requirement is \$42.028 million.
5. SDG&E’s updated ERRA and CTC forecast are a total of \$186.898 million higher than forecast for 2012.
6. SDG&E’s 2013 market benchmark price is \$50.16/MWh for calculation of the CTC and the PCIA.

7. Protests were filed by DRA and AReM/DACC.
8. Interested parties did not serve direct testimony and SDG&E did not serve rebuttal testimony.
9. In Resolution ALJ 176-3302, dated October 11, 2012, the Commission preliminarily categorized A.12-10-002 as ratesetting, and preliminarily determined that hearings were necessary. In the Scoping Memo, the assigned Commissioner scheduled evidentiary hearings, though eventually it was determined that hearings were not necessary.
10. On February 19, 2013, the assigned ALJ ruled (via electronic mail) that the evidentiary hearings be removed from the calendar.
11. On February 21, 2013, the assigned ALJ ruled (via electronic mail) that the filing of briefs be removed from the calendar.
12. On March 15, 2013, SDG&E filed a motion (with testimony attached) in which they requested the reopening of the record in A.12-10-002 in order to consider its trigger of the five percent threshold. The assigned ALJ denied this motion on March 18, 2013, as this issue is outside the scope of this proceeding.
13. SDG&E requested the admittance of its exhibits into evidence pursuant to Rule 13.8.
14. Pursuant to D.06-06-066, General Order (GO) 66-C, and Pub. Util. Code § 454.5(g), SDG&E requested the confidential treatment of selected exhibits and that a portion of the record be sealed.
15. Rule 11.5 addresses sealing all or part of an evidentiary record; and D.06-06-066 addresses our practices regarding confidential information, such as electric procurement data (that may be market sensitive) submitted to the Commission.

Conclusions of Law

1. SDG&E's amended 2013 request which consists of the following is reasonable and should be adopted: (a) forecasted 2013 ERRRA revenue requirement of \$1,015.531 million; (b) forecasted 2013 Ongoing CTC revenue requirement of \$42.028 million; and (c) 2013 market benchmark price of \$50.16/MWh for calculating the ongoing CTC and PCIA.
2. All rulings by the assigned Commissioner and ALJ should be affirmed.
3. Given that no hearings were held in the current proceeding, we should change our preliminary and Scoping Memo determination regarding hearings, to no hearings necessary.
4. The public and confidential versions SDG&E's Exhibits SDG&E-1 through -8 should be received into evidence.
5. SDG&E's request to treat as confidential and seal portions of the evidentiary record, in particular, Exhibits SDGE-1C, -2C, -3C, -5C, -6C, and -7C should be granted.
6. SDG&E should file a Tier 1 Advice Letter to implement the revenue requirement in this order within 30 days of the date of this decision.
7. Today's decision should be made effective immediately.
8. A.12-10-002 should be closed.

O R D E R**IT IS ORDERED** that:

1. San Diego Gas & Electric Company's amended 2013 request for the following ratesetting inputs are adopted and must be implemented: 1) Energy Resource Recovery Account forecast revenue requirement of \$1,015.531 million; 2) Ongoing Competition Transition Charge forecast revenue requirement of

\$42.028 million; and 3) 2013 market benchmark price of \$50.16/megawatt-hour for calculating the Ongoing Competition Transition Charge and the Power Charge Indifference Adjustment.

2. All assigned Commissioner and Administrative Law Judge rulings are affirmed.

3. The prepared testimony of San Diego Gas & Electric Company, consisting of the public and confidential versions of Exhibits SDG&E-1 through -8 are received into evidence.

4. San Diego Gas & Electric Company's (SDG&E) request to treat as confidential and seal portions of the evidentiary record, in particular, Exhibits SDG&E-1C, -2C, -3C, -5C, -6C, and -7C, is granted. The information will remain sealed and confidential for a period of three years after the date of this order. During this three-year period, this information may not be viewed by any person other than the assigned Commissioner, the assigned Administrative Law Judge, the Assistant Chief Administrative Law Judge, or the Chief Administrative Law Judge, except as agreed to in writing by SDG&E, or as ordered by a court of competent jurisdiction. If SDG&E believes that it is necessary for this information to remain under seal for longer than three years, SDG&E may file a new motion at least 30 days before the expiration of this limited protective order.

5. San Diego Gas & Electric Company must file a Tier 1 Advice Letter to implement the authority granted herein within 30 days of the date of this decision. The tariffs filed in the Advice Letter shall become effective on or after the date filed subject to Energy Division determining they are in compliance with this decision.

6. The determination made in the Assigned Commissioner's Scoping Memo and Ruling that hearings were necessary is changed to no hearings necessary.

7. Today's decision is effective immediately.
8. Application 12-10-002 is closed.

This order is effective today.

Dated _____, 2013, at San Francisco, California.